

Confidential Treatment Requested  
February 8, 2013



# Standard Chartered Bank

**Exhibit 9**

## Agenda

**I.** Overview

**II.** Wind-Down of SCB's Iranian Business

**III.** Review of Iranian Entities

**IV.** Commentary on Documents Observed



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# I. Overview

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## Overview

- We take the concerns raised by the DFS extremely seriously. Since our last meeting on January 10, 2013 we have undertaken a great deal of work to investigate those concerns. Our preliminary conclusions are as follows:
  - All of the Iranian entities referred to in the documents shown to us by the DFS are part of SCB's wind-down of legacy Iranian business
  - SCB has at all times conducted that wind-down under policies and procedures designed to comply with U.S. law
  - Promontory's review of USD payments sent by SCB in the period January 1, 2001 to December 31, 2007, shows that following SCB's decision to stop new USD Iranian business in November 2006, payments involving these entities were few, linked to the wind-down and U-turn compliant
  - Our review of transactions involving these entities from January 1, 2008 to date also shows that the activity was linked to the wind-down
  - None of the relevant Iranian entities used SCB's remote access channels post January 1, 2008



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## **II. Wind-Down of SCB's Iranian Business**

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## Wind-Down of SCB's Iranian Business – Key Points

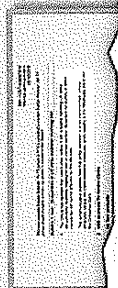
- **October 2006:** SCB decided to stop all new USD denominated business involving Iranian parties, even though the U-turn exemption remained in force
- At that time, SCB had outstanding Iranian obligations, many of which could not be immediately terminated due to legal, contractual, and regulatory requirements. SCB therefore continued to honor such obligations where permitted by applicable sanctions. For example:
  - Transactions outstanding as at October 2006 could generally continue to completion, in compliance with all applicable sanctions;
  - Accounts for Iranian parties were suspended, except to the extent required for completion of outstanding transactions, but many could not be closed immediately due to notice period and customer consent requirements in the relevant jurisdictions
- The U-turn exemption remained in force until November 2008. SCB's decision therefore went further than required by sanctions and involved cessation of certain types of business permitted by U.S. law
- **July 2007:** SCB decided to stop undertaking any new business, in any currency, involving Iranian parties.\* Again, obligations outstanding at that time continued to be honored where permitted by applicable sanctions
- The business which continued post the decisions of October 2006 and July 2007 is referred to by SCB as the “wind down” of the legacy Iranian business

\*Subject to any legal and regulatory restrictions in non-U.S. jurisdictions



## October 2006: End of All New Iranian USD Business

- October 27, 2006 e-mail and bulletin circulated within SCB\*:



The Group has decided that, until further notice, it will suspend handling US dollar denominated business relating to Iran or Iranian parties. Business conducted in other currencies will not be affected by this decision.

This communication explains how that policy decision is to be implemented. Unless otherwise stated, the implementation measures apply equally to the Wholesale Bank and the Consumer Bank.

- The bulletin set out, for various types of business:
  - What activity would stop immediately; and
  - What activity could continue in order to honor existing obligations

\* Referred to in paragraph 4.283 of Slaughter and May and Sullivan & Cromwell LLP's report entitled "Standard Chartered Bank Group Work on Sanctions Issues 2005 – 2006"

## October 27, 2006 Bulletin: Restrictions on Types of Business

### New Accounts

- With immediate effect, no new USD accounts for the following:
  - Iranian Government
  - Iranian Banks (including subsidiaries outside of Iran)
  - Iranian public and private sector entities
  - Individuals resident in Iran
  - Companies incorporated outside Iran and controlled by any of the above
  - Iran-based offices and subsidiaries of non-Iranian companies
- For existing Iranian clients, new accounts could be opened and operated in currencies other than USD. SCB was not, however, accepting new Iranian clients at this time

This had application only to SCB's non-U.S. offices, as SCB New York was prohibited from opening accounts for Iranian parties under U.S. law



## October 27, 2006 Bulletin: Restrictions on Types of Business

### Existing Accounts

- Suspension of USD clearing services for Iranian banks from November 14, 2006 (or later if required by applicable terms and conditions)
- Closure on November 14, 2006 of USD accounts for other Iranian clients (or later if required by applicable terms or regulatory requirements)
- In exceptional circumstances, USD accounts permitted to be kept open where necessary for completion and settlement of commitments undertaken before November 14, 2006, approval from senior management required and account to be closed once all commitments discharged
- Affected clients to be invited to open accounts in alternative currencies – FX transactions to convert USD balances into alternative currencies permitted
- USD fixed term deposits permitted to run until contractual expiry; USD loan accounts permitted to run until end of loan period; USD accounts linked to financings permitted to continue until financing fully repaid

This had application only to SCB's non-U.S. offices, as SCB New York was not holding accounts for Iranian parties due to U.S. sanctions. This policy reduced the level of Iran related dollar clearing through SCB New York (which remain permitted at this time under the U-turn exemption)

## October 27, 2006 Bulletin: Restrictions on Types of Business

### Payments

- From November 14, 2006, no acceptance of outward USD payment instructions from Iranian clients, or to pay Iranian beneficiaries, except to effect account closure
- From November 14, 2006, no inward USD payments involving Iranian parties except to discharge debit balances on USD accounts being closed, to pay interest on outstanding USD loans or to repay USD loans on their maturity
- Where a USD account held for an Iranian client had been approved to remain open, due to an outstanding commitment, payments could be made to or from that account solely to fulfill the outstanding commitment
- All controls and procedures related to compliance with sanctions would continue to apply to transactions involving Iran, whether in USD or any other currency

This policy restricted Iran related USD payments through SCB New York to wind-down related payments only (which remain permitted at this time under the U-turn exemption)



## October 27, 2006 Bulletin: Restrictions on Types of Business

### Trade

- From October 30, 2006, no new USD denominated trade transactions involving exports to, or imports from, Iran
- No issuance of guarantees, performance bonds, or similar commitments denominated in USD on behalf of, or in favor of, any person in Iran. No acceptance or guarantee of USD risk participations, or USD payment obligations, of any Iranian bank or person in Iran
- All trade transactions and commitments outstanding as at October 30, 2006 to be completed
- All controls and procedures related to compliance with sanctions would continue to apply to transactions involving Iran, whether in USD or any other currency

This policy restricted Iran related transactions through SCB New York to wind-down related business only (which remain permitted at this time under the U-turn exemption)

## October 27, 2006 Bulletin: Restrictions on Types of Business

### Loans and Other Business

- With effect from October 30, 2006, and until further notice, no new USD denominated credit facilities to any Iranian client, nor to any other client where the facilities relate to trade with Iran or to investments, projects or other operations in Iran
- From October 30, 2006, no new FX transactions or derivatives transactions which have a USD leg with any Iranian client. FX transactions to convert USD balances on accounts held with SCB into other currencies permitted. New FX transactions which do not have a USD leg for Iranian clients permitted. All transactions outstanding or committed as of October 30, 2006 to settle in the normal way
- From October 30, 2006, no placement or acceptance of interbank deposits in USD with or from Iranian banks. No other new money market transactions denominated in USD with any Iranian client. Such transactions denominated in other currencies permitted. All transactions outstanding or committed as of October 30, 2006 to settle in the normal way
- From October 30, 2006, further restrictions on USD denominated securities, loan assets, and credit cards



## October 2006: Revised Operational Procedures

- Amended Trade Operations Procedures for Transactions Involving Iran issued in October 2006<sup>1</sup>
  - Contained further details of the USD denominated Iran-related business not to be handled from October 30, 2006, and made provision for permitted wind-down business

“All trade transactions and commitments denominated in USD that are outstanding as 30<sup>th</sup> October 2006 will be completed, provided they comply with the procedures set out within this procedure guide.”

- Amended Cash Operations Procedures for Transactions Involving Iran issued in October 2006<sup>2</sup>

“[w]ith effect from 14 November 2006, until further notice, SCB has suspended USD remittance services” to Iranian clients (as defined in the procedures) “[e]xcept for USD payments which SCB had a commitment to make before 14 November 2006”

<sup>1</sup>Referred to in paragraph 2.31 of Appendix 5 of Slaughter and May and Sullivan & Cromwell LLP's report entitled “Standard Chartered Bank Group Work on Sanctions Issues 2005 – 2006”

<sup>2</sup>Referred to in paragraph 3.10 of Appendix 6 of Slaughter and May and Sullivan & Cromwell LLP's report entitled “Standard Chartered Bank Group Work on Sanctions Issues 2005 – 2006”

## July 2007: End of All New Iranian Business – In Any Currency

- July 20, 2007 e-mail and bulletin circulated within SCB\*

The Group has decided that, until further notice, it will suspend handling business relating to Iran and Iranian parties in all currencies.

This communication explains how that policy decision is to be implemented. Unless otherwise stated, the implementation measures apply equally to the Wholesale Bank and the Consumer Bank.

- The bulletin set out, for various types of business:
  - What activity would stop immediately; and
  - What activity could continue in order to complete existing obligations
- Again, SCB's decision was to cease certain types of legally permitted business

\* Referred to in paragraph 4.298 of Slaughter and May and Sullivan & Cromwell LLP's report entitled "Standard Chartered Bank Group Work on Sanctions Issues 2005 – 2006"



## July 20, 2007 Bulletin: Restrictions on Types of Business

### New Accounts

- No new accounts, in any currency, for any of the following:
  - Iranian Government
  - Iranian Banks (including subsidiaries outside of Iran)
  - Iranian public and private sector entities
  - Individuals resident in Iran
  - Companies incorporated outside Iran and controlled by any of the above
  - Iran-based offices and subsidiaries of non-Iranian companies
- Opening and maintenance of accounts for Iranian nationals resident outside Iran, and companies incorporated outside Iran not controlled by any of 1-4 above, permitted

### Existing Accounts

- From August 31, 2007, accounts held for Iranian clients to be suspended (or at such later date as required by applicable terms)
- Fixed term deposits permitted to run into contractual expiry date; loan accounts permitted to run until end of committed period; accounts linked to a financing permitted to continue until financing fully repaid; investment accounts permitted to run for purpose of receipt of dividends and sales of assets but no new asset acquisitions permitted post August 2, 2007

## July 20, 2007 Bulletin: Restrictions on Types of Business

### Payments

- From August 31, 2007, no acceptance of outward payment instructions from Iranian clients, or to pay Iranian beneficiaries, other than to effect account closure
- From August 31, 2007, no inward payments involving Iranian parties, except to discharge debit balances on a suspended account, to pay interest on outstanding loans, or to repay loans on their maturity
- Payments relating to the discharge of a commitment relating to a trade or other transaction in existence as at August 2, 2007 permitted. In line with existing policy, no payments in USD unless relating to an obligation existing before October 26, 2006



## July 20, 2007 Bulletin: Restrictions on Types of Business

### Trade

- From August 2, 2007, no new trade transactions, in any currency, involving exports to or imports from Iran. No issuance of guarantees, performance bonds or similar commitments on behalf of, or in favor of, any person in Iran. No acceptance or guarantee of risk participations or payment obligations of any Iranian bank or other person in Iran
- Completion of trade transactions and commitments outstanding as at August 2, 2007 permitted. In line with existing policy, transactions should not be denominated in USD unless relating to an obligation in existence before October 26, 2006

## July 20, 2007 Bulletin: Restrictions on Types of Business

### Loans and Other Business

- With effect from August 2, 2007, and until further notice, no new credit facilities, in any currency, to any Iranian client, nor to any other client where the facilities relate to trade with Iran or to investments, projects or other operations in Iran. New drawdowns against existing facilities not to be made with effect from August 2, 2007
- From August 2, 2007, no new FX transactions or derivatives transactions in any currency with any Iranian client. All transactions outstanding or committed as of August 2, 2007 to settle in the normal way
- From August 2, 2007, no placement or acceptance of interbank deposits in any currency with or from Iranian banks. No other new money market transactions denominated in any currency with any Iranian client. All transactions outstanding or committed as of August 2, 2007 to settle in the normal way
- From August 2, 2007, further restrictions on securities, loan assets, and credit cards



## July 2007: Revised Operations Procedures

- Amended Trade Operations Procedures for Transactions Involving Iran issued in July 2007<sup>1</sup>

“Standard Chartered Group has decided to suspend for the time being all business relating to Iran and Iranian entities. With effect from COB 2nd August 2007, and until further notice, we will no longer handle any new trade transactions in any currency involving exports to or imports from Iran irrespective of the country of origin or destination, or involving a person in Iran in any capacity”

“All trade transactions and commitments that are outstanding at COB 2nd August 2007 will be completed, provided they comply with these Trade Operations Procedures”

- Amended Cash Operations Procedures for Transactions Involving Iran issued in August 2007<sup>2</sup>
  - Only outward and inward Iran-related payments made to honor commitments in existence on 2 August (or in the case of USD transactions before 30 October 2006)

<sup>1</sup>Referred to in paragraph 5.5 of Slaughter and May and Sullivan & Cromwell LLP's report entitled "Group Sanctions Policies and Procedures 2001 – 2007"

<sup>2</sup>Referred to in paragraph 4.10 of Slaughter and May and Sullivan & Cromwell LLP's report entitled "Group Sanctions Policies and Procedures 2001 – 2007"

## Management of Iranian Legacy Business

- All Iran-related transactions undertaken as part of the wind-down had to be reviewed and approved by the Iran Risk Committee (an ad hoc group of executives from the Legal, Compliance and Risk functions, and relevant business units) or the Group Sanctions Advisor (who continues to perform this function today)
- In addition to the previous bulletins, SCB issued further internal bulletins providing guidance on wind-down business as sanctions on Iran developed, including the revocation of the U-turn exemption in November 2008\*

1. The United States Treasury Department revoked the U-turn exception which previously permitted US banks to process certain strictly-defined payments relating to Iran. As a result, with immediate effect, no US dollar payments can be made in any transaction involving Iran or an Iranian entity.

Standard Chartered Bank suspended all new business involving Iran and Iranian entities in August 2007. As a result, no new transactions have been permitted since then; we continue to allow prior commitments to complete.

The regulatory changes detailed above do not affect that decision. All new business remains suspended, however prior commitments can no longer, under any circumstance, be settled in USD.

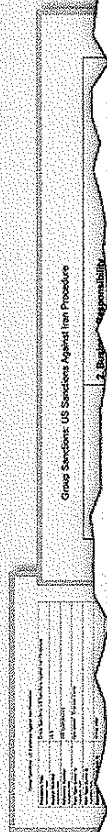
\*Bulletin entitled "Sanctions against Iran – changes" dated November 11, 2008

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## Current Policy

- Policy today remains that no new business with Iran is permitted. SCB continues to wind-down certain remaining Iranian business
- SCB's "Group Sanctions: US Sanctions Against Iran Procedure" provides that:



On 30 October 2006, the Group suspended new US dollar denominated business relating to Iran or for clients which are Iranian parties. The Group continued until 2 August 2007 to undertake new business in other currencies, subject to procedure guides then in force.

No step may be taken in any pre-existing Iran-related transaction unless either Group CMO or Group Trade office has given prior written approval. Following changes to US regulations, no remittance may be made in US dollars.



## **Current Status of Iranian Legacy Business**

- SCB's Iranian outstanding business falls into three categories:
  - Loans outstanding (including syndicated facilities, bilateral facilities)
  - Standard trade transactions (including Performance Guarantees and Exports Bills for Collection)
  - Bank accounts (that are suspended or frozen)



## Current Status of Iranian Legacy Business

(USD Millions Equivalent)	At 31 Dec 2011		At 30 Jun 2012		At 30 Jan 2013	
	Number	Value	Number	Value	Number	Value
<b>Assets</b>						
Loans outstanding	6	\$29.15M	5	\$20.16M	3	\$11.39M
Standard trade transactions	62	\$3.21M	54	\$2.61M	42	\$1.36M
<b>Total assets</b>	<b>68</b>	<b>\$32.36M</b>	<b>59</b>	<b>\$22.77M</b>	<b>45</b>	<b>\$12.75M</b>
<b>Liabilities</b>						
Suspended Bank accounts*	1,126	\$32.06M	620	\$24.45M	581	\$24.02M

\*Bank accounts includes deposits and overdrafts

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## **Review of Iranian Entities**

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# Background

- At the January 10, 2013 meeting with DFS, a number of documents were shown to SCB. SCB noted the names of 9 Iranian parties in those documents
- SCB searched for these names in its client databases and found that:

- Five were “Client Entity” names

Bank Markazi Jomhouri Islam Iran	National Iranian Tanker Company
Bank Tejarat	Persia International Bank PLC, UK
Iranian Offshore Engineering and Construction Company	

- Two were names of Iranian Banks. Both banks and their UK subsidiaries were SCB clients

Bank Melli Iran	Melli Bank PLC
Bank Saderat Iran	Bank Saderat PLC

- Two were “Client Group” names

Iran Government
Ministry of Energy Iran Group

- “Client Groups” can include more than one entity. For the “Client Group” names we identified, the following entities were part of those groups:

- Iran Government Group

Bank Markazi Jomhouri Islam Iran
Embassy of the Islamic Republic of Iran
Ministry of Economic Affairs and Finance, Iran

- Ministry of Energy Group

Mapna Co. LLC	Parsian International Establishment
Mapna International FZE	Peimann Khotoot Gostar Co.
Parsian High Voltage Substation Development Company	Saba Power and Water Industries Investment Company

## Background

### 17 Entities in Review Population

- SCB therefore identified a total population of 17 individual client entities associated with the names provided by the DFS

Client Name	Client Group Name
Bank Markazi Jomhuri Islam Iran	Iran Government
Embassy of the Islamic Republic of Iran	Iran Government
Ministry of Economic Affairs and Finance, Iran	Iran Government
Bank Melli Iran	Bank Melli Iran Group
Melli Bank PLC, Iran	Bank Melli Iran Group
Bank Saderat Iran	Bank Saderat Iran
Bank Saderat PLC, UK	Bank Saderat Iran
Bank Tejarat	Bank Tejarat
Iranian Offshore Engineering and Construction Company	National Iranian Oil Company
Mapna Co. LLC	Ministry of Energy Iran Group
Mapna International FZE	Ministry of Energy Iran Group
Parsian High Voltage Substation Development Company	Ministry of Energy Iran Group
Parsian International Establishment	Ministry of Energy Iran Group
Peimann Khotoot Gostar Co.	Ministry of Energy Iran Group
Saba Power and Water Industries Investment Company	Ministry of Energy Iran Group
National Iranian Tanker Company	National Iranian Tanker Company (NITC)
Persia International Bank PLC, UK	Persia International Bank PLC

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## Overall Review Methodology

**1.** Promontory Review: Promontory's payment review, as described in the January 21, 2011 *Report on Iranian Payments*, covered SCB's USD payments between January 1, 2001 to December 31, 2007. Promontory checked this payment review for sent USD payments involving the 17 entities post November 14, 2006

**2.** SCB Review:

- a) For the period January 1, 2008 to December 31, 2012 (the "Review Period"), search SCB's core banking and transaction processing systems (including trade, loans and financial markets systems), for:
  - All accounts held by these entities; and
  - All transactional activity, in all currencies, involving these entities
- b) Review all channels by which the relevant entities could access their accounts or instruct transactions, assess whether the entities used such channels

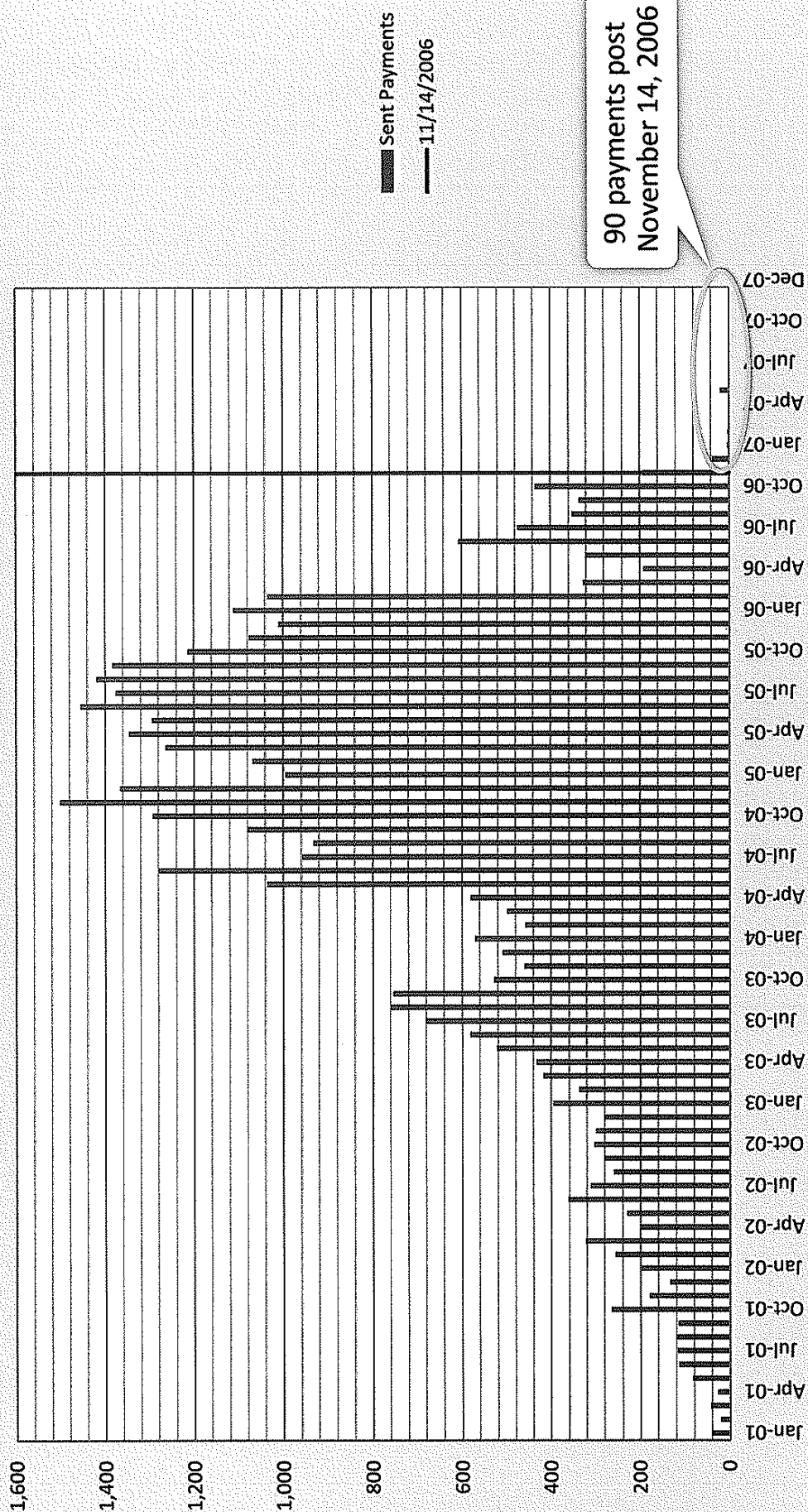
## **1. Promontory Review of the 17 Entities – Methodology**

- For each of the 17 entities in the review population, search all USD payments sent by SCB in Promontory's payment review to identify all USD payments that reference the entity in any field of the payment message
- Categorize the USD payments identified post November 14, 2006



# 1. Promontory Review of the 17 Entities – Results From Payment Review

## USD Payments Sent by SCB Referencing the Entities in the Review Population



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# 1. Promontory Review of the 17 Entities – Results From Payment Review (cont'd)

USD Payments Sent by SCB Referencing the 17 Iranian Entities, November 14, 2006 to December 31, 2007		
Entity	Total	
	Volume	Value
Bank Melli Iran	9	335,788
Melli Bank PLC	4	1,508,349
Bank Saderat PLC	20	4,937,599
Bank Tejarat	5	386,275
Embassy of the Republic of Iran	1	14,980
Iranian Offshore Engineering Construction	1	4,768,386
National Iranian Tanker Company	32	23,956,007
Persia International Bank PLC	18	8,349,153
<b>Total</b>	<b>90</b>	<b>44,256,537</b>

- OFAC did not find any of these payments to be violations



# 1. Promontory Review of the 17 Entities – Results From Payment Review (cont'd)

USD Payments Sent by SCB Referencing the 17 Iranian Entities, November 14, 2006 to December 31, 2007			
Category	Total		Value
	Volume		
Reference to a syndicated loan involving Saderat or NITC*	48		19,695,507
Reference to a loan in tag 72 other than Saderat or NITC*	23		9,907,192
Payment from originator's account with SCB to originator's account at another bank – possible transfer of balance on closure of account with SCB	6		565,063
Transfer of balance on closure of account with SCB	2		4,797,449
Other – within 7 days of wind-down date	7		9,191,342
Other	4		99,983
<b>Total</b>	<b>90</b>		<b>44,256,537</b>

\*See slides 35-38

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## 2. SCB Review – Methodology

- For each of the 17 entities in the review population, search Single Customer Identifier (SCI) system to determine all transaction processing systems that reference the entity
- Search those transaction processing systems (including those decommissioned post January 1, 2008) for:
  - All accounts held by entities in the review population (including those closed on or after January 1, 2008). For each account identified, extract all transactions in the Review Period from the core banking system. This includes all incoming and outgoing funds transfers; and
  - All transactions related to the entities
- Check which of the entities in the review population had access to remote access channels (OLT3, Straight 2 Bank) and identify any transaction instructed using such channels



## 2. SCB Review – Results: Accounts

- None of the 17 entities held accounts in New York
- Of the 17 entities, 15 held accounts with SCB offices outside the U.S. at some point in the period January 1, 2008 to date:
  - 3 entities had USD accounts only
  - 4 entities had both USD and non-USD accounts
  - 8 entities had non-USD accounts only

## 2. SCB Review – Results: USD Account Activity

- 7 of the 15 entities held USD accounts with SCB offices outside the U.S. at some point in the period January 1, 2008 to date
- Of these 7 entities
  - 5 entities had no activity on their USD accounts post January 1, 2008
  - 2 entities did have activity on their USD accounts post January 1, 2008. In both cases this related to wind-down obligations:
    - **National Iranian Tanker Company:** Movements on USD denominated accounts relate to repayments by NITC of a syndicated loan entered into in September 2004. Although this involved movements on USD accounts held at SCB London, payments from NITC to SCB London, and by SCB London to Iranian syndicate members, were in Euro
    - **Bank Saderat Plc:** Debit to Bank Saderat Plc's USD denominated account with SCB London, to cover late payment on a term loan dating from November 2004. However, payment out was in Euro



## 2. SCB Review – National Iranian Tanker Company

- September 30, 2004: NITC enters into USD \$60M syndicated loan facility agreement
  - Only USD \$42.5M of the loan was actually disbursed
  - Stated purposes of loan was to refinance a facility and finance the building of a ship
  - SCB acted as the agent bank for the lenders
  - NITC was required to maintain two USD denominated accounts with SCB London in connection with the loan – the NITC Account and the Debt Service Reserve Account (“DSRA”)
  - 10 other banks were also involved – 3 of these were UK subsidiaries of Iranian banks: Bank Mellat PLC, Bank Saderat PLC and Persia International Bank PLC
  - SCB’s commitment: USD \$5.75M
- Loan repayment: 10 equal biannual installments
- Final payment scheduled for September 30, 2009

## 2. SCB Review – National Iranian Tanker Company

- NITC loan repayments from January 1, 2008 onwards

	Loan Balance Outstanding	Principal and Interest for the Period
June 23, 2008	USD \$17M	20-Dec-2007 to 23-Jun-2008 @ 8.075% comprising USD \$4,959,254.16
December 23, 2008	USD \$12.25M	23-Jun-2008 to 23-Dec-2008 @ 6.43188% comprising USD \$4,666,866.23
June 22, 2009	USD \$8.5M	23-Dec-2008 to 22-Jun-2009 @ 5.095% comprising USD \$4,467,740.52
September 30, 2009	USD \$4.25M	22-Jun-2009 to 30-Sep-2009 @ 3.9375% comprising USD \$4,296,478.81 This was the final payment

- SCB currently holds a residual balance of EUR €310,533 in NITC's DSRA account with SCB London



## 2. SCB Review – National Iranian Tanker Company

- In all cases, payments by NITC to SCB London to fund loan repayments were made in Euro
- The Euro funds received by SCB London were then converted to USD in SCB London's books and placed into an NITC account
- SCB London then debited that NITC account and credited the USD nostro in SCB London's books, in satisfaction of NITC's repayment obligation
- SCB London then made payment to the syndicate members as follows:
  - Non-Iranian syndicate members: payment made in USD via SCB New York
  - Iranian syndicate members: USD converted to Euro in SCB London's books and paid out in Euro

## 2. SCB Review – Bank Saderat Plc

- On November 15, 2004, a syndicate of lenders including SCB made a \$120M term loan to Bank Saderat PLC
- The loan was paid off in 2007. However, due to a delay in the final loan payment, Bank Saderat PLC incurred a late payment fee to the lenders
- In January 2008, USD \$10,412.53 was debited from Bank Saderat's USD account with SCB London to cover that fee
- The resulting payments to lenders were effected in Euro, following a currency conversion process similar to that used for the NITC payments



## **2. SCB Review – Results: Current Status of USD Accounts**

### **Current status of USD accounts:**

- For 2 of the 7 entities, all USD accounts are closed
- For the remaining 5 entities all USD accounts are frozen or suspended

## **2. SCB Review – Results: Transactions (Trade, Loans, Guarantees)**

- For 7 of the 17 entities, SCB's records show no transaction steps (in any currencies) post January 1, 2008
- Of the 10 entities where SCB's records show transaction steps post January 1, 2008:
  - 9 entities had transaction steps related to USD denominated transactions. However:
    - All related payments were in non-USD currencies
    - All activity related to completion of pre 2008 transactions
  - 1 entity had no transaction steps related to USD denominated transactions (all steps related to transactions denominated in non-USD currencies)



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## **IV. Commentary on Documents Observed**

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## Commentary on Documents Observed

- Documents were observed at the meeting of January 10, 2013 that related to three topics:
  - Customer profitability
  - Channels
  - Prospects
- We therefore looked at these areas and our preliminary findings follow



## Customer Profitability

- One of the documents observed on January 10 contained details of revenue of some of the entities. This appeared to be a report generated from our Customer Profitability (CP) or the Performance Management Information (PMI) system that replaced CP in 2010
- CP or PMI is an internal management information system that:
  - Takes data from a variety of transaction processing systems and client data systems, converting all currencies to USD, the reporting currency of SCB
  - Provides revenue information at entity level including Net Interest Income (NII) and Non-Funded Income (NFI)
  - Is used by WB management and relationship managers, and business finance teams for performance monitoring
- Data held in the system includes:
  - Static data: Client entity and group names and identifiers; account managers; booking locations
  - Revenue data: Interest and fee income
  - Balance data: Assets and liability

# Entries Related to the 17 Entities

## Why would revenue entries be generated?

### Case 1: Suspended Deposit

- Relates to a suspended deposit account in Singapore with a balance of SGD \$3,395,994.97. There has been no movement on the account from 2008 to the present

Statement of Account		Statement Date: 31 Jan 2008		Page: 1 of 1	
Branch: BATTERY ROAD BRANCH Personal Banking: 1800 747 7000 (24 hours) SME Banking: 1800 743 3000 (Monday to Friday - 9am to 6pm)					
CURRENT ACCOUNT					
Date	Description	Deposit	Withdrawal	SGD Balance	
31 Dec	BALANCE FROM PREVIOUS STATEMENT			3,395,994.97	
31 Jan	CLOSING BALANCE	0.00	0.00	3,395,994.97	
* WITH EFFECT FROM 02 OCT 01, OUR SGD PRIME LENDING RATE IS 7.50% PER ANNUM *					

Statement of Account		Statement Date: 31 Dec 2012		Page: 1 of 1	
Branch: BATTERY ROAD BRANCH Personal Banking: 1800 747 7000 (24 hours) SME Banking: 1800 743 3000 (Monday to Friday - 9am to 6pm)					
CURRENT ACCOUNT					
Date	Description	Deposit	Withdrawal	SGD Balance	
30 Jun	BALANCE FROM PREVIOUS STATEMENT			3,395,994.97	
31 Dec	CLOSING BALANCE	0.00	0.00	3,395,994.97	
* WITH EFFECT FROM 02 OCT 01, OUR SGD PRIME LENDING RATE IS 7.50% PER ANNUM *					

- Net interest Income recorded for 2008 – 2012 for Bank A:

Client Name	Country	2008 Net Interest Income	2009 Net Interest Income	2010 Net Interest Income	2011 Net Interest Income	2012 Net Interest Income
Bank A	SG	\$3,845.68	\$4,274.05	\$4,369.88	\$4,733.29	\$2,485.63

- No interest is being paid to Bank A as the account is suspended, however interest income in attributed to the account

Revenue in USD recorded but no transaction



## Entries Related to the 17 Entities

### Why would revenue entries be generated?

#### Case 2: Fee Relating to a Letter of Credit

- A revenue entry for non-funded income in 2011 for Corporate B:

Client Name	Country	2011 Non-Funded Income
Corporate B	AE	\$14,382.79

- Letter of Credit, issued in 2004, expiring in October 2011
- 1% p.a. commission charged on value of LC (EUR 1,095,257) to be settled in AED
- Final commission collected in 2011 of AED 52,827.99 reported as USD \$14,387.79 for management information purposes

Revenue in USD recorded for a transaction in another currency

## Channels

- Of the 17 relevant entities:
  - 16 did not have access to any SCB remote access channels in the period January 1, 2008 to December 31, 2012
  - 1 entity, Bank Saderat Iran, did have access in that period. However, review of the system access logs showed that the client never accessed the system
    - As of today, access status is dormant and Bank Saderat Iran cannot use the system
- Any transaction initiated through SCB's remote access channels would go through SCB's transaction processing systems (searched as part of this review). Such transactions would be subject to SCB's standard transaction screening processes



## Prospects

- One of the documents shown by the DFS was entitled “Prospective Customer New.” It contained the names of Bank Melli, Bank Saderat, and Persia International Bank, and contact details
- This document appeared to us to be manually generated as opposed to the output of a bank system. Without more information we are unable to investigate further. It would be helpful to obtain a copy of the document to aid our investigation
- The date of the document and the data contained in it is not clear to us. However:
  - All three of the referenced Iranian banks were clients of SCB prior to the decisions to cease new Iranian business and wind-down legacy business. It is not clear to us therefore why they should be on a list of prospective clients post those decisions
  - From July 2007, SCB’s clear policy was not to undertake new business with any Iranian banks
  - Our review has not identified any such new business with Iranian banks

Confidential Treatment Requested

